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ACTION AID-00

INFO	LOG-00	NP-00	AF-00	AGRE-00	CA-00	CIAE-00	COME-00
	INL-00	USNW-00	DODE-00	DOEE-00	DS-00	EAP-00	EB-00
	EUR-00	UTED-00	H-00	TEDE-00	INR-00	IO-00	M-00
	AC-00	NEA-00	NSAE-00	OES-00	OIC-00	NIMA-00	EPAU-00
	PA-00	MCC-00	PER-00	GIWI-00	ACE-00	CFPP-00	SS-00
	STR-00	TRSE-00	FMP-00	EPAE-00	SCRS-00	DSCC-00	PRM-00
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FM AMEMBASSY NDJAMENA
TO SECSTATE WASHDC 1064
INFO AFRICAN UNION COLLECTIVE
AMEMBASSY ABUJA
AMEMBASSY ACCRA
AMEMBASSY ADDIS ABABA
AMEMBASSY BAMAKO
AMEMBASSY DAKAR
AMEMBASSY KAMPALA
AMEMBASSY KHARTOUM
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SUBJECT: FALTERING CROPS AND A FRAGILE STATE: TROUBLES ON
THE LAND IN SOUTHERN CHAD

REF: NDJAMENA 308

Summary

1. (SBU) Cash crops and the industries based on them should be thriving in southern Chad, the wettest, greenest part of this drought-prone country. Cotton, textiles, and sugar had at one time been sources of prosperity for millions in the region. But now cotton production is stagnant, and the marketing parastatal is bankrupt. The once vibrant textile factory is shuttered. The sugar industry is struggling to surmount high costs, water shortages, and competition from smugglers. Ways must be found to revive commercial agriculture and promote rural development in this region. Chad's hopes of withstanding pressures that have shaken other fragile states depend on it. End Summary.

12. (U) The Ambassador traveled to southern Chad over February 8-15. The sketches presented in refel portray a region strained by rising claims on its pastures, soil, and water. The impressions captured here bring to light the many problems facing its main agricultural sectors.

Cotton

13. (U) Heading into the hottest, driest time of year, the cotton crop is mostly in. Fluffy white mounds are piled up in the middle of dozens of villages along the road between Moundou and Sarh. They are waiting for trucks from Cotontchad, the state parastatal, to gather them up and take them to the cotton ginning plants. What happens to the sector is a matter of life and death to the region, officials in Moundou told us. Three million people depend on cotton directly or indirectly, they say.

14. (U) If so, the outlook is bleak. Chad used to be Africa's biggest cotton producer. Production has suffered in recent years from mismanagement, low yields, inadequate inputs, poor or nonexistent secondary roads, and high transportation costs to the nearest ports hundreds of miles away. This year, farmers responded to high price guarantees by throwing their meager resources into cotton and neglecting millet, sorghum, and other staple crops. Food prices have soared in the local markets. Food shortages are looming, and farmers have yet to be paid for their cotton,

according to several local officials we met.

15. (SBU) Meanwhile, Cotontchad, the only authorized buyer, is effectively bankrupt. Bankers are refusing to advance it more funds. The Chadian government has accepted the conclusion of a recent World Bank study and signed off on a plan to privatize Cotontchad no later than mid 2007. Still, the question of how to pay for this year's crop remains. One option is a one-shot deal to draw on Chad's new oil revenues. Cotontchad's officials in their meeting with us pleaded for unilateral action to cut U.S. cotton subsidies. Encouraged by the Ambassador to support a global subsidy-cutting package in Geneva, they argued instead that all of Africa would salute the United States, if it took such moves on its own.

Textiles

16. (U) Salvaging Chad's cotton sector will require action within Chad to privatize Cotontchad as well as improve extension services and transport infrastructure. But part of the solution

too lies in processing cotton domestically and avoiding the expensive transportation routes for raw cotton through Cameroon. The apparatus for doing so used to exist on the outskirts of Sarh. In its heyday the factory had capacity for spinning, weaving, dyeing, and stitching. The boarded-up remnants of Compagnie Textile (Cotex) still stand north of town on the banks of the Chari River, but the buildings are vacant. Its machinery, some dating back to the early 1960's, last ran in the late nineties when the parastatal company had to close down.

17. (SBU) A group of private Chadian investors has taken over. They have grand plans for the factory's revival. They are counting on a Dutch partner to help jump-start the project. They hope imminent approval of Chad's textile visa under AGOA will free up access to the U.S. market. Perhaps a better bet than aiming for a fully integrated textile operation would be focusing on restoring the plants' spinning capacity. This would enable Chad to process its own high-quality raw cotton and supply yarn to other African garment-makers who are not eligible for or who are about to lose their third-country fabric preferences under AGOA. Indian representatives in N'Djamena have spoken with us about a proposed credit from the Indian Government for this purpose. Taiwan, with whom Chad has diplomatic relations, has invested in such ventures in other African countries as well.

Sugar

18. (U) Unlike cotton, which is produced entirely by small farmers, Chad's sugar is grown on large estates owned by Compagnie Sucriere du Tchad, a recently privatized company. AIG's African Infrastructure Fund is among the owners. The company's cane fields stretch for miles along the Chari River to the south of Sarh. At night blocks as big as several football fields are set on fire. The charred stalks are collected in mounds during the night and carried to the processing plant the next day. 1700 metric tons of cane are crushed each day to make granulated sugar, sugar cubes, and the hard sugar cones the desert nomads use to sweeten their tea.

19. (SBU) But even this sector is in trouble. The company cannot compete with sugar they say is dumped on world markets by Brazil, processed in Nigeria, and carried by smugglers through Cameroon. High costs, the company's executives say, are incurred by having to pump water from the Chari River into the spindly irrigation pipes that extend overhead for nearly a kilometer over the fields. In many sections the company is gradually installing underground black plastic tubes that will allow water to seep directly into the roots. Its managers hope this more efficient Israeli technology will lower costs and reduce losses from evaporation.

Comment

10. (SBU) High hopes are pinned on oil revenues now flowing from the ExxonMobil-led project near Doba in southern Chad. But oil will never provide livelihoods for as many people as agriculture and its associated industries. A WTO farm deal could enable the region to make the most of its advantages in cotton and livestock. AGOA could provide incentives for investors to help overhaul the textile factory and perhaps build up other export industries as well. But promoting cash crops and rural development cannot happen without fundamental reforms and investments within Chad. Oil revenues, if managed well, can help with necessary resources. So can support from

well-targeted foreign assistance. The region is facing intensifying environmental pressures and social strains described in reftel. Managing them will require improving livelihoods of the millions of people who make their living from the land there. Prospects for such a fragile state as Chad depend on it.

11. (U) Khartoum Minimize Considered

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